

**COLLECTION OF COMMONWEALTH REVENUES
BY
LOCAL CONSTITUTIONAL OFFICERS
STATEWIDE REPORT**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2002**



- TABLE OF CONTENTS -

INTRODUCTION LETTER

INTERNAL CONTROL AND COMPLIANCE FINDINGS:

Treasurers

Sheriffs

October 15, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We are pleased to submit the statewide **Report on Collection of Commonwealth Revenues by Local Constitutional Officers** for the fiscal year ended June 30, 2002. The Auditor of Public Accounts annually audits each constitutional officer or director of finance handling state funds to determine that these officials have maintained accountability over Commonwealth collections, established internal controls, and complied with state laws and regulations. This statewide report summarizes our findings that we have previously communicated to the individual Treasurers, Directors of Finance, Sheriffs, Commissioners of Revenue, and Commonwealth Attorneys and the respective local governing body upon completing our individual audits. Constitutional Officers, excluding Clerks of the Circuit Courts, collected \$354,320,808 in Commonwealth revenues for fiscal year 2002. Clerks of the Circuit Courts maintain separate accounting records and we issue separate reports for each Clerk's Office.

Our audit resulted in findings at seven localities. We have listed the findings by constitutional officer and locality.

We limit our work in local government to the collection of Commonwealth revenues. The local governments hire certified public accountants to audit all other local government financial activities. These firms issue separate reports on the results of their audits.

AUDITOR OF PUBLIC ACCOUNTS

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kva:32

INTERNAL CONTROL AND COMPLIANCE FINDINGS

TREASURERS

CITY OF MANASSAS PARK

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile state income tax assessments and collections to the State's Commonwealth Accounting and Reporting System (CARS). Our review found an error in the City's records of \$1,179. The Department of Accounts sends Treasurer's monthly reports summarizing assessments, collections, and uncollected balances. The Treasurer should use these reports to reconcile assessments and collections to CARS monthly. This reconciliation will ensure complete and accurate recording of state tax assessments and collections.

COUNTY OF ACCOMACK

Remit Sheriff's Fees Promptly

The Treasurer delayed transferring sheriff's fees to the Treasurer of Virginia on 16 of the 48 days tested for up to 17 days. Section 2.2-806B of the Code of Virginia requires Treasurers to remit fees weekly or twice each week when collections exceed \$5,000. The Treasurer should send fees as required by the Code of Virginia.

COUNTY OF GILES

Remit Sheriff's Fees Promptly

The Treasurer delayed transferring sheriff's fees to the Treasurer of Virginia on 10 of the 31 days tested for up to six months. Section 2.2-806B of the Code of Virginia requires Treasurers to send fees weekly or twice each week when collections exceed \$5,000. The Treasurer should send fees as required by the Code of Virginia. The Treasurer identified the problem in April and subsequent fees were sent timely.

COUNTY OF LEE

Properly Assess and Collect Penalty and Interest on Late Tax Payments

The Treasurer's computer system failed to properly assess penalty and interest on late state income tax payments and therefore, the Treasurer did not collect penalty and interest, which decreased 77 percent for fiscal year 2002. Section 58.1-351 of the Code of Virginia requires the Treasurer to calculate and collect penalty and interest on late state income tax payments. The Treasurer should have the computer system errors corrected to properly assess penalty and interest as required by the Code of Virginia.

COUNTY OF NORTHAMPTON

Reconcile and Promptly Remit Sheriff's Fees

The Treasurer did not reconcile sheriff's fees collected per the County's records to the State's Commonwealth Accounting and Reporting System (CARS). Our review found that the Treasurer did not send \$1,635 in sheriff's fees collected between July 2001 and March 2002 to the Treasurer of Virginia. Section 2.2-806B of the Code of Virginia requires Treasurers to send fees weekly or twice each week if collections exceed \$5,000. The Treasurer should send the fees as required by the Code of Virginia and reconcile sheriff's fees to CARS.

COUNTY OF NOTTOWAY

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile state income tax assessments and collections to the State's Commonwealth Accounting and Reporting System (CARS). Our review found several errors in collections and assessments. The Department of Accounts sends Treasurers monthly reports summarizing assessments and collections. The Treasurer should use these reports to reconcile assessments and collections to CARS monthly. This will ensure complete and accurate recording of state tax assessments and collections.

COUNTY OF PRINCE EDWARD

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile state income tax assessments and collections to the State's Commonwealth Accounting and Reporting System (CARS). Our review found several errors in collections and assessments. The Department of Accounts sends Treasurers monthly reports summarizing assessments and collections. The Treasurer should use these reports to reconcile assessments and collections to CARS monthly. This will ensure complete and accurate recording of state tax assessments and collections.

SHERIFFS

COUNTY OF PRINCE EDWARD

Improve Internal Controls Over Sheriff's Fees

Our audit found internal control weaknesses over the recording and disbursing of sheriff's fees and that the Sheriff did not comply with applicable state laws and regulations. The Sheriff did not maintain adequate accounting records or other controls over sheriff's fees. Below are the results of our testwork.

- The Sheriff deposited collections into his official bank account up to 25 days late. He retains all monies in a locked desk drawer until the office has time to deposit the funds in the bank. In addition, the Sheriff does not write receipts for collections

until the bank deposit is prepared. The Sheriff should deposit collections and write receipts as suggested by the Virginia Sheriff's Accounting Manual.

- The Sheriff did not reconcile his official bank account for fiscal year 2002. The Sheriff should perform monthly bank reconciliations to ensure for the proper accounting of funds and timely recognition of errors.
- The Sheriff did not send fees for the months of July 2001 through December 2001 until February 2002 to the local Treasurer. Currently, the Sheriff has not sent collections from March 2002 through June 2002 totaling \$506. The Sheriff should deliver all fees to the local Treasurer on or before the tenth of the month following collections as required by Section 15.2-1609.3 of the Code of Virginia.

The Sheriff should exercise proper oversight over the collection, reconciliation, and remittance processes of his office. He should ensure that employees recording, disbursing, and remitting Sheriff's fees possess a clear understanding of their responsibilities, the proper procedures, and accounting controls.